

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6671**

**BILL NUMBER:** HB 1668

**NOTE PREPARED:** Jan 25, 2009

**BILL AMENDED:**

**SUBJECT:** Mandatory Provisional Property Tax Bill.

**FIRST AUTHOR:** Rep. Michael

**FIRST SPONSOR:**

**BILL STATUS:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill makes the use of provisional property tax billing by the county treasurer mandatory instead of optional if delivery of the abstract is late. It provides that provisional billing is based on 100% instead of 90% of the property taxes payable in the immediately preceding year.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Revenues:** Under current law, a county may elect to send out provisional tax statements to its taxpayers if it did not complete the abstract of its property before March 16<sup>th</sup> of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are figured. Provisional bills are based on 90% of the previous year's taxes. When the county completes its abstract, the county sends a reconciling statement in the amount of the actual tax liability minus the amount they paid under the provisional bill. If the actual tax is less than the amount paid under the provisional bill, the taxpayer would be issued a refund.

If the county treasurer determines that it is possible to send the reconciling statements by October 10<sup>th</sup>, the treasurer may currently request permission from the Department of Local Government Finance to issue the reconciling statement as a replacement for the second installment of provisional taxes.

Beginning with taxes payable in 2010, this bill makes the issuing of provisional statements mandatory if the county abstract cannot be delivered on time. It also stipulates that provisional bills be based on 100% of the

previous year's taxes.

The fiscal impact of this bill would depend on whether the amount of refunds from the counties and the amount of additional payments from taxpayers are reduced under this bill than if provisional bills are based on 90% of the previous year's taxes. Refunds indicate that the county, in reality, obtained an interest free loan from taxpayers; on the other hand, if the actual tax liability of taxpayers is higher than tax on the provisional bill, then taxing units will be denied the extra revenue, and might have to borrow to finance some of their daily operations thereby incurring interest costs. There are three scenarios to consider:

1. If property taxes in the current year are actually less than 90% of the previous year's taxes, and assuming that many counties could issue the reconciling statement in lieu of the second installment of property taxes, fewer refunds would have to be issued in those counties. However, if the reconciling statement is delivered after payment of both installments of the provisional bill, then the county will have to issue refunds to correct any overpayments. Under this scenario, the amount of the refund would be less if the provisional bill was based on 90% of the previous year's taxes than if it were based on 100%.

2. If, however, property taxes in the current year are actually higher than the previous year's taxes, and many counties could issue the reconciling statement in lieu of the second installment of property taxes, the amount of additional tax liability for taxpayers would be relatively small. If the reconciling statement is delivered after payment of both installments of the provisional bill, then under this scenario, the amount of additional taxes to be paid by taxpayers would be more if the provisional bill is based on 90% of the previous year's taxes than if it is based on 100%.

3. If property taxes in the current year fall between 90% and 100% of the previous year's taxes and counties could not issue the reconciling statement in lieu of the second installment of property taxes, then under this scenario, taxpayers would be entitled to a refund if the provisional bill is based on 100% of the previous year's taxes, while they would receive a reconciling bill for additional payments if the provisional bill is based on 90% of the previous year's taxes.

**State Agencies Affected:**

**Local Agencies Affected:** County treasurers.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.